MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 24, 2007, 2:00 P.M.
Room W020, West Office Building, State Capitol Complex


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| Members Present: | Sen. Greg Bell, Co-Chair |
| | Rep. Kory M. Holdaway, Co-Chair |
| | Sen. Brent Goodfellow |
| | Rep. Ron Bigelow |
| | Rep. Mel Brown |
| | Rep. David Clark |
| | Rep. Brad Daw |
| | Rep. John Dougall |
| | Rep. Kay McIff |
| | Rep. Scott L. Wyatt |
| | Rep. Chris Johnson |
| | Rep. Carol Spackman Moss |
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| Members Excused: | Sen. Curtis Bramble |
| | Sen. Dan Eastman |
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| Members Absent: | Rep. LaWanna "Lou" Shurtliff |
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| Staff Present: | Spencer Pratt, Senior Legislative Fiscal Analyst |
| | Rolayne Day, Secretary |
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| Public Speakers Present: | Commissioner Rich Kendell |
| | John Sutherland, Chair, Technology Initiative Advisory Board & Cemaphore Systems |
| | J. Howard Van Boerum, Technology Initiative Advisory Board & Van Boerum & Frank |
| | Shawn Siddoway, IM Flash Technologies |
| | Dustin Birch, Williams International |
| | Mark Vander Meyden, ATK Launch |
| | Dave Gessell, VP, Hospital Association |
| | Pres. Michael Benson, SUU |
| | Gary Wixom, Assistant Commissioner, USHE |
| | Paul Brinkman, Associate VP, UU |

A list of visitors and a copy of handouts are filed with the committee minutes.

1.  <u>Call to Order</u>—Committee Co-Chair Holdaway called the meeting to order at 2:10 p.m.

2.  <u>USHE Engineering Initiative (Issue Brief USHE - 04)</u>—Analyst Spencer Pratt---The Legislature established the Engineering and Computer Science Initiative in 2001. State funding is matched by the institutions in an attempt to double the number of engineering and computer science graduates. There were 513 computer science and 862 engineering graduates in 2000; last year there were 574 computer science and 1,309 engineering graduates.

The table on page 11 of the issue brief shows both the ongoing and one-time funding history and institutional matches for the Initiative. The total ongoing funding appropriated is $6 million and one-time funding is $5.2 million. The recommendation is to fund the initiative with $5,045,200 in new ongoing funding and $4,000,000 in new one-time funding.

John Sutherland, Chair of the Technology Initiative Advisory Board and Vice President of Engineering at Cemaphore Systems, said that the statute enacting the Engineering Initiative also requires the Advisory Board to give a report each year to the Legislature. Several people in attendance who support the Initiative introduced themselves as did institutional deans and representatives from schools of engineering at SUU, UU, Weber State, SLCC, and USU.

Mr. Sutherland said there is a huge demand for engineers as the economy improves, and right now the demand outstrips the supply. Two new engineering buildings have been built in large part with donations from industry—one at USU and one at the UU. Engineering classes are now full and are straining the student/faculty ratio in some cases. There has been a 53% increase in the number of engineering graduates, and computer science graduates are up 19%, both higher than national averages. Engineering research has also increased, and 85 new faculty members have been hired.

There is still a concern about the high demand for engineers. The Advisory Board surveyed 109 companies, and there are currently over 800 open engineering positions with an estimated 800 more opening this year. Research show that all graduates get jobs in engineering unless they choose to go on to graduate school.

The Engineering and Computer Science Initiative is a model for accountability and is working well. It is important for Utah's economic future. The Advisory Board is requesting $5 million in ongoing funding to continue working on the goals of the Initiative.

Shawn Siddoway, IM Flash Technologies; Dustin Birch, Williams International; Mark Vander Meyden, ATK Launch; and John Hill, L-3 Communications all spoke in support of the Engineering Initiative and of the challenge to find and hire qualified engineers to fill open jobs. Mr. Sutherland said starting salaries are about $50,000 for a bachelor's degree and about 10% higher for a master's. Senior engineer salaries can go as high as $140,000.

Rep. Dougall asked what businesses are doing to encourage high school students to go into engineering. Mr. Hill said his company belongs to the Utah Partnership Initiative, among other groups, that encourages students to get into science and math. They are involved heavily in many avenues to encourage both high school and college students to become engineers. Mr. Sutherland said the key is for students to get enough education in high school to be able to succeed in college engineering classes.

Sen. Bell asked committee members to think of the spending cap in light of this report. Should the state cut spending to limit an increase in funding for this program to keep faith with a rule adopted in 1985 and not continue to develop engineers that are necessary for our economy?

Commissioner Kendell said there are few things that have more promise than the Engineering Initiative and it is a major priority for the USHE. Most of the companies represented at the meeting have also given money to the high tech high schools.

3.  Approval of Minutes

    **MOTION:**  Rep. Clark moved to approve minutes of the January 18, 2007, and corrected minutes of the January 23, 2007, meetings.

    The motion passed unanimously with Reps. Bigelow, Dougall and Moss absent for the vote.

4.  USHE Nursing Initiative (Issue Brief USHE - 05)—Mr. Pratt said that the Legislature approved the Nursing Initiative to help mitigate the increasing need for nurses and a workforce shortage. The $500,000 recommendation would move last year's one-time money to ongoing funding. The health care industry has pledged $1 million to supplement the State funding.

    Dave Gessell, Vice President, Utah Hospital Association, said the hospitals came to the Legislature with $1 million and asked if the Legislature would appropriate $2 million to help increase the number of nurses. The hospitals have actually given approximately $1.8 million each year. Although there has been a significant increase in the number of nurses, there is still a shortage of 800 to 1000 nurses at this time. The average salary is around $40,000 for nurses coming into the field. He supports moving the money to ongoing funding because it is difficult to hire faculty with one-time money that could disappear the next year.

    Pres. Michael Benson, SUU, said IHC has given SUU $400,000 over the last two years for the nursing program. This shows the return on investment and the impact on the state.

5.  USHE Reallocations (Issue Brief USHE – 11)—Mr. Pratt said this recommendation is a cleanup of items in the Base Budget bill (HB 1). Currently, funding for the Engineering and Computer Science Initiative goes to the State Board of Regents ($500,000). The Analyst recommends that funding go directly to the institutions.

    The second recommendation is an internal allocation within the UU personal services line item that moves funding for compensation. Both of these recommendations net out to zero.

    **MOTION**: Rep. Wyatt moved to make adjustments to the FY 2008 Base Budget as follows:

    Engineering and Science Initiative
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    |---|---:|
    | State Board of Regents – Engineering Initiative | ($500,000) |
    | University of Utah – Education and General | 250,000 |
    | Utah State University  – Education and General | 185,000 |
    | Southern Utah University – Education and General | 50,000 |
    | Snow College – Education and General | 15,000 |

    University of Utah Personal Services
    | | |
    |---|---:|
    | Education and General | (85,300) |
    | School of Medicine | 84,600 |
    | Regional Dental Education Program | 700 |

    The motion passed unanimously with Reps. Clark, Dougall, and Moss absent for the vote.

6. USHE Utah Electronic College (Issue Brief USHE – 10)—Mr. Pratt—The Utah Electronic College (UEC) is a consortium of Utah community and state colleges that make technology delivered courses and programs available to students in Utah and throughout the world. The number of students served by the UEC has dropped consistently over the last few years with just 30 FTE in 2006. The state appropriation to serve those 30 students is $535,700 that averages $17,600 per FTE. This is much higher than advanced graduate degree programs at the UU. The Analyst recommends eliminating funding for the Electronic College and freeing up $535,700 in the base for reallocation by the Subcommittee.

   Rep. Holdaway asked how many employees would be affected if the funding were eliminated. Mr. Pratt said there are four employees in the Regents' office that handle the UEC.

   Gary Wixom, Assistant Commissioner for Technology, said the Utah Electronic College provides services particularly to students in rural areas. If students want to take courses from several institutions, the UEC allows them to do that without having to apply to all the institutions. More than ⅔ of the UEC funding goes to the institutions to develop curriculum for the electronic environment. Over 100 courses have been built and delivered over the last five years with this funding.

   The Utah Electronic College brokers the courses offered by the institutions, so many students who are served by them do not appear in the UEC enrollment figures. Mr. Wixom reported that the US Skiboard Association is using the UEC as a provider for the student athletes in that program.

   Mr. Wixom said it costs about $5,000–$10,000 to develop an online course. There are about 23,000 students now enrolled in online courses across the system. If the money was discontinued, the schools would have to pick up the costs or eliminate the classes.

   The remaining ⅓ of the funding is used to administer the program. Rep. Wyatt said that the cost for the 30 FTE is really only ⅓ of the $500,000. He also noted that tuition remains at the delivering institution, not with the UEC.

   Mr. Pratt said his recommendation was based on the high cost per FTE. Mr. Wixom said the enrollment drop is because prior to 2000–2002 the Global Aviation Program at UVSC was running through the Utah Electronic College and that has since been changed.

7. USHE FY 2007 Compensation (Issue Brief USHE – 12)—Mr. Pratt said that last year the Legislature approved a 3.5% cost of living adjustment (COLA) as part of the compensation package. Some higher education institutions approved a 3.5% COLA; others approved a lower COLA and moved the difference to merit increases. The table on page 27 of the issue brief shows the average increase by COLA and merit at each institution. The Analyst recommends that intent language be included covering future compensation increases detailing the Legislature's intent for the use of those funds.

   Rep. Holdaway said providing merit in the compensation package is good. If the individual institutions were creative in how they did it, he is not opposed. Sen. Goodfellow said it is better to give the institutions some flexibility so the money can be used where it is wanted and/or needed. He also believes that public education and state employees have those options and he doesn't want to pin higher education down too tightly. Sen. Bell agreed that the institutions need flexibility and that administrators should make those decisions.

Rep. Bigelow said there are benefits variations in the USHE. If you give the flexibility, higher education employees may say that the Legislature didn't give them a compensation increase. There is a disparity and one size doesn't fit all, but the intent of the legislature should be carried out. Rep. Bigelow said he would like to know what the real impact of the merit system was at the institutions. Rep. Clark said the Legislature funded a 3% compensation increase and authorized 3.5% last year if the institutions found that extra half percent in health benefits; that is flexibility.

Commissioner Kendell said compensation funding last year gave higher education 3% but they had to come up with .5% through deductions in the health care plan. He said there are no wild swings in the salary increases and every institution is trying to build some merit into the compensation. Most try to reward rank advancement for faculty to retain good people. He feels the presidents have managed the money well.

Paul Brinkman, Associate Vice President, UU, said that, by policy, all raises at the UU are merit based. If intent language were to be adopted as recommended, it would prevent them from rewarding good behavior. Rep. Bigelow said other funds are involved in compensation at the UU, so even if the funds were restricted, it would not eliminate the UU's flexibility with merit.

8.  Committee Business—Rep. Holdaway said the agenda for tomorrow's meeting has been changed from the session agenda. He briefly went over the agenda for the remaining meetings. The last meeting on February 5 will be for prioritization and recommendations to the Executive Appropriations Committee.

    **MOTION**: Rep. Clark moved to adjourn.

    Committee Co-Chair Holdaway adjourned the meeting at 3:15 p.m.

    Minutes were reported by Rolayne Day, Secretary.

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    Sen. Greg Bell, Committee Co-Chair                    Rep. Kory M. Holdaway, Committee Co-Chair